

# **N.C. Supreme Court rules growers are owed millions from tobacco companies**

RALEIGH, N.C. (AP) — Cigarette makers must pay \$424 million to tobacco growers in 14 states as part of an agreement reached in the wake of 1998's multibillion-dollar anti-smoking settlement, North Carolina's Supreme Court ruled Friday.

The ruling reversed a decision by a lower court judge who sided with cigarette companies in finding the tobacco-quota buyout approved by Congress last year ended their obligation to make the payments. Under the buyout, the U.S. agreed to pay tobacco growers, and holders of licenses or "quotas" to grow tobacco, \$10.1 billion to end price supports begun in the 1930s.

"I'm going to take it to the bank and pay some money I owe, and that's the honest truth," said Sam Crews, president of the Tobacco Growers Association of North Carolina, who stands to receive \$60,000 as a result of the ruling.

An attorney representing the four cigarette makers involved in the deal — Philip Morris USA, a unit of Altria Group; Lorillard Tobacco, a unit of Carolina Group; R.J. Reynolds Tobacco and Brown & Williamson— did not immediately return calls seeking comment. A spokesman for R.J. Reynolds declined to comment on the company's next step. RJR and Brown & Williamson merged to form Reynolds American Inc.

The companies agreed in 1999 to pay growers and quota-holders \$5.1 billion over 12 years to compensate them for reduced demand, the so-called Phase II portion that grew out of the \$206 billion settlement of anti-smoking lawsuits filed by 46 states against the four largest cigarette makers.

The tobacco companies' pact with growers and quota holders provided for a reduction or stop in the payments if the losses were made good in some other way, such as the federal buyout.

In December, North Carolina Business Court Judge Ben Tennille ruled the companies did not have to make a final, \$106 million payment to growers in the last quarter of 2004, and should receive a refund of other payments — about \$318 million — put into trust funds earlier that year for later distribution.

An agreement between the 14 states and the companies gave legal jurisdiction to courts in North Carolina. The state Supreme Court ruled the federal buyout legislation did not remove the tobacco company's obligation to make the 2004 payments.

The ruling affected 80,000 tobacco growers and over 300,000 tobacco quota holders in North Carolina, Kentucky, Tennessee, South Carolina, Virginia, Georgia, Ohio, Indiana, Florida, Missouri, West Virginia, Alabama, Maryland and Pennsylvania.

Kentucky's General Assembly this year provided \$114 million in June to make up for most of the Phase II payment to Kentucky growers and quota holders. State officials expect to recoup the money with Friday's court order.

"What we know at this point, we could not have asked for a better outcome," said Keith Rogers, executive director of the governor's agricultural policy office in Kentucky.

Stan Duffer, a regional market manager for Virginia's agriculture department, said the ruling is good news for tobacco farmers grappling with higher fuel prices and loss of price supports.

"We're in a tough world," Duffer said, adding that court's decision Friday "sort of ends a chapter, if you will."

Shares of Altria fell 42 cents to close at \$69.97 in trading on the New York Stock Exchange. Shares of Caroline Group declined 29 cents to \$39.16, and shares of Reynolds American fell \$1.32 to \$84.12.

.....